

Name(s) as shown on IA 1040	Social Security No.	Spouse's SS No.
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**PART I: INCOME ITEMS** Note: Lines 1-6 are from Shareholders federal schedule K-1

- |   |          |
|---|----------|
| 1. Ordinary income (loss) from trade or business .....                                | 1. _____ |
| 2. Net income (loss) from rental real estate activities .....                         | 2. _____ |
| 3. Net income (loss) from other rental activities .....                               | 3. _____ |
| 4. Portfolio income (loss)  |          |
| a. Interest .....   | a. _____ |
| b. Dividends .....  | b. _____ |
| c. Royalties .....  | c. _____ |
| d. Net short-term capital gains (loss) .....  | d. _____ |
| e. Net long-term capital gains (loss) .....   | e. _____ |
| f. Other portfolio income (loss) .....  | f. _____ |
| 4. Total of lines a-f .....   | 4. _____ |
| 5. Net Gain (loss) under IRC section 1231 (other than due to casualty or theft) ..... | 5. _____ |
| 6. Other income (loss) .....  | 6. _____ |
| 7. S corporation income (sum of lines 1-6) .....                                      | 7. _____ |

**PART II: DEDUCTIONS**

- |   |           |
|---|-----------|
| 8. Charitable contributions (from fed. K-1) .....   | 8. _____  |
| 9. Section 179 expense deduction (from fed. K-1) .....  | 9. _____  |
| 10. Deductions related to portfolio income (loss) (from fed. K-1) .....                       | 10. _____ |
| 11. Other deductions (from fed. K-1) .....  | 11. _____ |
| 12. Sum of lines 8, 9, 10 and 11 .....  | 12. _____ |
| 13. Subtotal (Subtract line 12 from line 7) .....   | 13. _____ |
| 14. State adjustments to federal S corporation income (line 9 schedule S form IA 1120S) ..... | 14. _____ |
| 15. Subtotal (add lines 13 and 14) .....  | 15. _____ |

**PART III: APPORTIONMENT**

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|---|-----------|
| 16. Enter total allocable income (line 17 schedule B) .....           | 16. _____ |
| 17. Subtotal (subtract line 16 from line 15) .....                    | 17. _____ |
| 18. Business activity ratio (line 13 schedule C) .....                | 18. _____ |
| 19. Income apportioned to Iowa (multiply line 17 times line 18) ..... | 19. _____ |
| 20. Enter income allocable to Iowa (line 8 schedule B) .....          | 20. _____ |
| 21. Iowa source corporation income (add lines 19 and 20) .....        | 21. _____ |

**PART IV: REFUND CALCULATION**

- |  |             |
|--|-------------|
| 22. Value of cash or property distribution from income not previously taxed by Iowa (see instructions) ..... | 22. _____   |
| 23. Enter the greater of line 21 or line 22 .....  | 23. _____   |
| 24. One-half of federal tax on S Corporation income (50% of line 7, schedule A) .....                        | 24. _____   |
| 25. Subtract line 24 from line 23 (if less than zero, enter zero) .....                                      | 25. _____   |
| 26. Gross income (line 15 form IA 1040) .....  | 26. _____   |
| 27. Enter the amount from line 15 form IA 134 .....  | 27. _____   |
| 28. Subtract line 27 from line 26 (if less than zero enter zero) .....                                       | 28. _____   |
| 29. Enter the amount from line 25 IA 134 .....   | 29. _____   |
| 30. Add lines 28 and line 29 .....   | 30. _____   |
| 31. Divide line 30 by line 26 (Enter % to 4 decimal places) .....  | 31. _____ % |
| 32. Subtract line 31 from 100% .....   | 32. _____ % |
| 33. Iowa tax after credits (line 51 from form IA 1040) .....   | 33. _____   |
| 34. Multiply line 33 time line 32 (if less than zero enter zero) .....                                       | 34. _____   |
| 35. Out of state tax credit on S Corporation income .....  | 35. _____   |
| 36. Refund due (subtract line 35 from line 34) Enter on page 2 of the IA 1040 .....                          | 36. _____   |

Schedule A – Federal Income Tax Attributable to S Corporation Income	
1	Net S corporation income (line 15 form IA 134)
2	Iowa net income (line 26 form IA 1040)
3	Line 1 divided by line 2 (enter percentage to four decimal places) %
4	Federal income tax after credits (line 44 federal form 1040)
5	Federal alternative minimum tax (line 46 federal form 1040)
6	Net federal income tax (line 4 plus line 5)
7	Federal income tax attributable to S corporation income (line 3 times line 6)

Schedule B – Nonbusiness Income (see instructions) Enter Whole Dollars			
Please attach all documentation detailing why the income should be allocated as Nonbusiness Income.			
Type of Income	(A) Gross Income	(B) Related Expenses	(C) Net Income
<b>Allocated Within Iowa</b>			
1	Net Dividend (see instructions)		
2	Exempt Interest and Dividends		
3	Other Interest		
4	Rent		
5	Royalties		
6	Capital Gain		
7	Other (must attach schedule)		
8	SUB TOTAL Column C (Add lines 1 through 7) Enter Total on Line 20 of form IA 134.		
<b>Allocated Without Iowa</b>			
9	Net Dividend (see instructions)		
10	Exempt Interest and Dividends		
11	Other Interest		
12	Rent		
13	Royalties		
14	Capital Gain		
15	Other (must attach schedule)		
16	SUB TOTAL Column C (Add lines 9 through 15)		
17	TOTAL Column C (lines 8 and 16) Enter Total on line 16 of form IA 134.		

Schedule C – Business Activity Ratio (BAR) (see instructions) Enter Whole Dollars		
Type of Income	Col. A Iowa Receipts	Col. B Receipts Everywhere
1	Gross Receipts ▲	▲
2	Net Dividends (see instructions)	▲
3	Exempt Interest (line 6 Schedule A)	▲
4	Accounts Receivable Interest	▲
5	Other Interest	▲
6	Rent	▲
7	Royalties	▲
8	Capital Gains	▲
9	Ordinary Gains	▲
10	Partnership Gross Receipts (attach schedule)	▲
11	Other (must attach schedule) ▲	▲
12	TOTALS ▲	▲
13	Percentage (Column A/Column B - to six decimal places) Enter % on line 8 of Schedule IA 134.	
		%

Analysis of Accumulated Adjustments Account, Other Adjustments Account and  
Shareholders Undistributed Previously Taxed Income Account

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholder's undistributed previously taxed S corporation income
1 Balance at beginning of tax year . . . . .			
2 Net S corporation income of loss (line 15 form IA 134) . . . . .			
3 Interest and dividends exempt from Iowa income tax . . . . .			
4 Enter the amount on line 21 from form IA 134 . . . . .			
5 Enter the amount on line 22 from form IA 134 . . . . .		( )	
6 Column (a) if line 4 is greater than line 5, enter the amount on line 4 as a negative number; if line 5 is greater than line 4, enter the amount on line 5 as a negative number . . . . .	( )		
7 Enter the amount of distributions of undistributed previously taxed S corporation income . . . . .			( )
8 Balance at the end of the tax year. Column (a) combine lines 1,2, and 6; column (b) combine lines 1,3, and 5; and column (c) combine lines 1,4, and 7 . . . . .			

### Instructions

Line 1. Column (c) for the first tax year after making the election to determine Iowa source S corporation by allocation and apportionment, enter the amount of resident shareholder's share of the federal accumulated account at the close of the tax year prior to making the election.

Line 6. If the amount in column (a), line 4 is greater than the amount on line 5, enter the amount on line 4 as a negative number. If the amount on line 5 is greater than the amount on line 4, enter the amount on line 5 as a negative number.

Line 7. Distributions are made prorata from both income subject to Iowa income tax and from interest and dividend exempt from Iowa income tax.

## INSTRUCTIONS

Iowa resident shareholders of certain S corporations may be eligible for a refund for tax years on or after January 1, 1996. To be eligible, the corporation must be a value-added corporation that does business within and without Iowa.

A value-added corporation is a corporation that purchases, receives, or holds personal property of any description and which adds to its value by a process of manufacturing, construction, processing, or combining of different materials.

Calendar year filers must file their claims by October 31 of the calendar year following the end of their tax year to be eligible for the refund. Fiscal year filers must file within 10 months of the end of their year to be eligible for the refund. The total amount of refunds to be paid out by the Department shall not exceed five million dollars. If the total claims exceed that amount, the total refund claims will be prorated.

There are several distributions that need to be included as distributions not previously taxed by Iowa (line 22). These are:

- a. Distributions from income not previously taxed by Iowa. Example: Income apportioned out of Iowa that has not been previously taxed by Iowa.
- b. Distributions from income not subject to Iowa tax. Examples: Interest from federal securities or certain securities issued by Iowa municipalities.
- c. Distributions treated as a return of capital for federal income tax purposes.

**SCHEDULE B - NONBUSINESS INCOME****If corporate business is entirely within Iowa, DO NOT COMPLETE SCHEDULE B.**

The classification of income by the labels customarily given them such as interest, dividends, rents and royalties, is of no aid in determining whether that income is business or nonbusiness income.

**Instructions**

When referring to the columns designated below, enter the amounts on lines 1 through 8 if the corporation's commercial domicile is Iowa. Enter amounts on lines 9 through 16 if the corporation is outside Iowa. However, rent royalty and capital or ordinary gain from real or tangible property is allocated to the situs of the property producing the income. Also, see Iowa rule 701-54.2 for income from intangibles for tax years beginning on or after January 1, 1995.

**Column A Gross Income:** Enter the amount of income on the appropriate line. If an entry is made on line 6, please attach federal Schedule D.

**Column B Related Expense:** Enter directly related expenses on the appropriate line. Attach detailed schedules showing the computation of the related expense.

**Column C Net income:** Subtract Column B from Column A and enter the difference.

Line 8: Add lines 1 through 7 of Column C. Enter this amount on line 20 of form IA 134, page 1.

Line 16: Add lines 9 through 15.

Line 17: Add lines 8 and 16. Enter this amount on line 16 of form IA 134, page 1.

**Schedule C - BUSINESS ACTIVITY RATIO**

If your business activity is 100% Iowa, you do not need to complete Schedule C.

Complete all applicable lines. All figures are net of amounts used in Iowa Schedule B. Dividends are net of special deductions.

Business income means income which arises from the corporation unitary trade or business, a part of which is conducted within Iowa. Business income shall be apportioned to Iowa by means of the business activity formula. Investment income may at the taxpayer's election be included in the computation of the business activity formula. Tax year beginning on or after January 1, 1996, the taxpayer will have elected whether to include investment income in the computation of the business activity ratio for that and all subsequent years. Consequently, that year and for subsequent years total investment income which is determined to be business income will be included in the numerator as follows:

- (1) Accounts receivable interest is to be included in the numerator to the extent allocable to Iowa.
- (2) Other interest, net dividends, capital and ordinary gains, and royalties from intangibles shall be included in the numerator if the commercial domicile is in Iowa.
- (3) All investment income that is business income, including capital gains or losses, shall be included in the computation of the business activity formula if the investment is derived from intangible property that has become an integral part of some business activity occurring regularly in or outside of Iowa. (See Iowa Rule 54.2 for clarification.)
- (4) Capital and ordinary gains or losses, rent from tangible and real property and royalties from real property shall be included in the numerator if the property is located in Iowa.

For a taxpayer first apportioning income, the inclusion of investment income determined to be business income in the business activity ratio of that year's initial return will be binding on all subsequent years returns. The election to include business investment income in the business activity formula can later be changed with permission of the Director of the Iowa Department of Revenue and Finance.